

KEEPING YOUR IP OUT OF TROUBLE

How to manage and reduce IP-related risks to your business





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Introduction

Investment in intellectual property (IP) can have great rewards. However, it's not without risks. This guide provides you with insights into where those risks lie, and how you can mitigate them. It emphasises how you can keep your business out of trouble. A separate guide—**Upholding your IP Rights**, explains your options for enforcing your IP, should the need arise.

Chapter 1 relates IP risk to business risk, showing you the damage imitation can cause, and setting out why decisions about your IP are too important just to be delegated to your legal advisers. It addresses the misconception that IP is a game that only 'big boys' can play, but also highlights the possible consequences of getting it wrong.

IP is a form of property—something your business can own and with which it can transact business. However, its non-physical nature means it does not behave in the same way as other, more familiar types of property. For example, with intangibles like IP, lots of people (potentially millions) can benefit by using the same asset at once.

Over time, this difference has led to the development of 'exceptions' in the law, to help balance the rights of the creator and owner of an IP asset with that of the would-be user, and with society. An overview of what you can do with other people's assets, without breaking any laws, is in **Chapter 2**.

Chapter 3 looks at the risks in your IP rights. It walks through each of the four main types of IP rights (i.e. patents, trade marks, designs and copyright) and provides a series of checklists to help you identify the risks of most concern to you. It also touches on protection for software and databases.

To help you avoid running into trouble with other companies' IP rights, **Chapter 4** sets out a series of tips for staying alert to the possibility of infringement and keeping track of what your competitors are doing. **Chapter 5** then sets out a series of steps for dealing with accusations of infringement, which will typically start with written correspondence such as a 'cease and desist' letter

Produced by **IPOS International**, these intellectual property management (IPM) business guides aim to deliver a suite of IP solutions for enterprises based on industry best practices. As the expertise and enterprise engagement arm of the Intellectual Property Office of Singapore (IPOS), IPOS International helps enterprises and industries use IP and intangible assets for business growth. Some of these engagements may be eligible for Enterprise Singapore (ESG) funding, such as the intangible asset audit and strategy development aligned with business goals. IPOS International's business portal www.iposinternational.com also contains case studies and videos of enterprises leveraging IP to gain a competitive edge in their innovations. Should you have questions on IPM matters or wish to speak with our Intellectual Property Strategists, do email us at enquiry@iposinternational.com or call **+65 63308660**.





Which IP risks need managing?



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1. Which IP risks need managing?



How does IP risk relate to business risk?

At its heart, owning intellectual property (IP) is about having the means to stop other people benefiting unfairly from your hard work. The more successful your business becomes, the better motivated your competitors will be to copy all the best features of your products or services, eroding your market share. If you don't pay proper attention to IP rights, you may find yourself powerless to stop them.

IP rights exist to protect your 'intellectual creations' (whether these are inventions, designs, brands or copyright-protected works) and to give you a degree of exclusivity and ownership over them. These intellectual creations are what differentiate your business from your competitors: they underpin your unique selling points (USPs).

Businesses that create and manage IP effectively and efficiently can reap the benefits of the investments they make in building up their know-how. This is because IP gives them a means of defending their competitive advantage.

IP is not a purely legal matter. It also involves commercial considerations. It is fundamental to every business that exploits knowledge in any form.

“IP is about having a means to stop people benefiting unfairly from your hard work”

Can I really protect my IP from the 'big boys'?

Some small businesses feel there is little point protecting inventions, brands, designs or creative works using the IP system. Their argument is that bigger companies will ignore their rights and that the costs of fighting this out in court are unaffordable. However, the truth in any business is that your position is stronger when you own IP than it can ever be without it.

There is no denying that court costs can be substantial and that you will want to avoid court proceedings wherever possible, but here are six reasons why you should still take IP protection very seriously.

1	IP rights act as a deterrent	They will make a large proportion of would-be infringers think twice about copying you—provided, of course, you make it obvious that the rights exist.
2	IP may help generate offers you want to accept	If you have strong IP rights, large competitors are likely to offer to buy them (or license them from you). It's often a cheaper, easier and less risky route than starting a development programme of their own with the sole intention of copying you. It might even lead to an offer to buy your business.
3	You don't have to fight it out in court	You can use your IP to apply for orders to prevent imports of offending goods, or (in some cases) get these goods taken off the shelves of retail outlets. You can also choose to use arbitration and mediation services to resolve disputes.
4	IP supports business continuity	Registering your IP reduces the risk of being 'locked out' of the market by a competitor filing for rights which could prevent you from operating.
5	You'll have a stronger negotiating position	Once you have registered trade marks and industrial designs, it puts the onus on other people to prove they are NOT infringing. Without registration, you have to prove that they HAVE copied you. You have a much better basis for obtaining compensation from an infringer.
6	It's MUCH better than nothing!	You may feel as though your IP position will always be weaker than a large competitor with big enforcement budgets. However, your position will be far weaker if you don't have any IP rights of your own to help you reach an agreement.

What damage can imitators cause me?

“The process of imitation is becoming ever quicker and cheaper”

The digital age has massively increased the speed with which information can be disseminated globally. This means that news of commercial success spreads quickly. It may give rise to imitators without your knowledge.

Invention and creation is still a costly and time-consuming activity. However, once a breakthrough has been made, the process of imitation is becoming ever quicker and cheaper (just proving that something is possible greatly reduces risk and speeds up time to market).

It is sometimes said that 'imitation is the sincerest form of flattery'. Certainly, the presence of competitors can grow your overall market. Unfortunately, the type of imitation many companies experience is based on quality compromises and price reductions. If you are selling a physical product, for example, copies originating from lower production cost markets may represent a real threat, even if your customer relationships are relatively well-established.

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If you cannot sustain a price premium based on some aspect of differentiation, your offering is likely to become increasingly commoditised. You will find that you have to sacrifice profit margin for sales volumes, leaving you with fewer resources to innovate and keep ahead of the competition. Worse still, if your competitors are protecting **their** USPs using the IP system, they may be able to stop you from keeping up at all. This is a downward spiral you will wish to avoid!

Imitation, therefore, is a problem that needs to be taken very seriously as soon as it is identified—particularly if direct copying has occurred, or leakage of confidential information is behind it. The best defence is to take the necessary legal and contractual steps to protect what you own at the earliest opportunity. This will enable you to take effective action against the copycats and get compensated for business you lose as a result of illegal activity.

How much trouble might I get into if I infringe someone else's IP?

Intellectual property rights are carefully defined and backed by specific legal provisions and case law. If you are found to have been misusing someone else's IP, the consequences can be very serious, with either civil or criminal penalties being applicable (and sometimes both). You could lose your business, your livelihood—even your freedom.

Like all other types of property, IP has an owner who has the rights to exercise control over when and how it is used. Unauthorised use, manufacture, importation or sale of another party's IP is usually considered to be an infringement. Some infringing acts are not only considered harmful to the IP owner (a civil matter), but also against public law and order (and so also a criminal matter).

The exact activities which are considered infringing and/or criminal and the exceptions are quite complex and vary by the type of IP right involved. Should you be taken to the civil court for IP infringement, the following panel sets out the six main civil penalties, any or all of which might be imposed on you and your business by a judge depending on the types of IP involved.

1	Declaration of validity	<i>In patent infringement cases, the court may issue a declaration that the patent is valid and that it has been infringed</i>
2	An injunction	<i>An order from the court that tells you to stop your infringing activities, or requires you to pay licence fees to continue them</i>
3	An award of damages	<i>You can use your IP to apply for orders to prevent imports of offending goods, or (in some cases) get these goods taken off the shelves of retail outlets. You can also choose to use arbitration and mediation services to resolve disputes.</i>
4	An award of statutory damages	<p><i>For copyright and certain trade mark infringement cases (where the infringement involves the use of a counterfeit trade mark in relation to goods or services), statutory damages may be ordered to be paid even if the wronged party cannot prove a loss. The sum will depend on several factors, including:</i></p> <ul style="list-style-type: none"> <i>• Whether the act was infringing and what its purpose was</i> <i>• Whether it should have been obvious to you that you were infringing</i> <i>• Whether you were acting in bad faith</i> <i>• The likely amount of loss suffered by the copyright owner</i> <i>• The amount of benefit you have received from the infringement</i> <i>• Whether a large award would act as a deterrent to future infringers</i>
5	An order for delivery or disposal	<i>You may be asked to dispose of or surrender, any infringing goods that you still have (these may otherwise have had a significant value)</i>
6	An account of profits	<i>You may be asked to pay the infringed party the amount you have earned from committing the infringement. If you are allowed to continue trading, you may also be required to pay a licensing fee to the infringed party on any future sales you make</i>

1. Which IP risks need managing?

If you are taken to the criminal courts for IP infringement, you will have to defend yourself against prosecutors working on behalf of the state. If you are found guilty of a criminal offence, the sanctions include **large fines** and potentially even **prison sentences** for the directors of the offending company.

It is also important to be aware that where an infringing act is committed by a corporate body, a director can be sued personally in certain situations. This personal liability can arise under two main sets of circumstances:

- If the director authorised the potentially infringing act knowing it was potentially infringing and acted in concert with the company
- Where the company was only established to carry out the business of the director(s).

The accompanying guide to enforcement in this series—**Upholding your IP Rights**, describes the civil and criminal sanctions available in Singapore and the process by which court actions are brought in more detail.



What other IP risks do I face besides infringement?

Encroaching on other people's rights may not be the only IP-related risk your business is running. Here is an overview of the most frequently encountered issues that are covered in accompanying guides in this series, which can also tell you how to mitigate some of these risks.

ISSUE	EXPLANATION	RELEVANT GUIDES(S)
Loss of trade secrets	<i>Confidential, proprietary information that underpins your products and services might be disclosed by a member of your team or stolen by another company</i>	Safeguarding Your Competitive Edge Managing Your Most Valuable Assets
Loss of potential rights through disclosure	<i>You may lose the ability to file for IP protection in some territories, in particular for patents if your invention has already been disclosed. This can happen by publishing a paper, exhibiting at a trade fair, or talking to suppliers without a confidentiality undertaking in place</i>	Safeguarding Your Competitive Edge Managing Your Most Valuable Assets

ISSUE	EXPLANATION	RELEVANT GUIDES(S)
Loss of rights through failure to take timely action (post-application)	<i>You may lose the opportunity to obtain or maintain IP protection if you miss application deadlines, fail to respond to official correspondence or do not renew rights when due</i>	Managing Your Most Valuable Assets
Lack of attention to imitators	<i>If you do not take timely action to tackle suspected infringement, you may find that your ability to address it reduces over time</i>	Upholding Your IP Rights
Loss of rights through failure to apply early enough	<i>The 'first to file' principle exists in some countries, such that another company may have already claimed rights to a name that you are using in other countries</i>	Knowing Your Competition Going Global
Loss of know-how	<i>If your staff retention policies are poor, you may lose valuable know-how from your business that is needed to extract the best value from your intangible assets</i>	Keeping Your IP Out Of Trouble
Secondary infringement	<i>Case law has established that companies can be liable for infringing acts of their employees (for example, 'borrowing' other people's software code), and also if they are complicit in the infringing acts of other people</i>	Upholding Your IP Rights
Missed deadlines	<i>Several deadlines have to be strictly met to maintain IP rights. These include the regular payment of renewal fees, responses to the office and other actions and correcting of formalities in an application. If any of these deadlines are missed, very valuable assets may be irrevocably lost</i>	Managing Your Most Valuable Assets
Failure to manage licensees or franchisees	<i>Other companies authorised to use your IP rights may abuse them by failing to follow your guidelines, especially if you do not include clear audit rights, affecting your profits and your reputation</i>	Making Money From Your IP



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